

STATE OF WASHINGTON

EIGHTH REPORT

OF

Washington State Liquor Control
Board



October 1, 1940
TO
September 30, 1941

OLYMPIA
STATE PRINTING PLANT
1942

**DEFENDANT'S
EXHIBIT**

CASE
NO. C04-0360P

EXHIBIT
NO. 429

WASHINGTON STATE LIQUOR CONTROL BOARD

Report of Operations

OCTOBER 1, 1940, TO SEPTEMBER 30, 1941

In accordance with requirements of Section 72 of the Washington State Liquor Act, the Board submits herewith the Eighth Annual Report of Operations covering the twelve-month period ended September 30, 1941. Certain minor changes were made in the Act by the 1941 Legislature. While some comments with regard to these changes are contained herein, a full analysis cannot be presented at this time due to the fact that they have been effective only a part of the period under review. However, when the next fiscal report is submitted the Board will be in position to give a more accurate and comprehensive resumé with respect to progress and effect of the new amendments.

Board Members

One change was made in the personnel of the Board during the fiscal year. A. J. Hutton, of Spokane, was appointed September 1, 1941, replacing W. J. Lindberg, who resigned May 1, 1941. During the period between resignation and appointment, the functions of the Board were carried on by the other two members.

Administration of the Act

The Washington State Liquor Act was created for the purpose of controlling the liquor industry under a single state administrative agency, and has been so formulated as to provide the Board with broad discretionary powers which it may exercise in the event circumstances warrant such action. These powers enable the Board to meet various emergencies as they arise, and changing conditions as they occur, much more promptly and efficiently than if the powers were more restricted. Through limiting the number of licenses granted, and careful study and application of methods of supervision and enforcement, many of the unlawful practices which prevailed prior to enactment of the present liquor law have been eliminated. The Board is constantly alert to its responsibilities in administering the Act consistently and without discrimination, and promoting temperance in the consumption of intoxicating beverages. The problems connected with the sale and distribution of liquor are being gradually reduced as the public and the licensees recognize the Board's determination with regard to maintaining a high standard of control.

It is reasonable to expect that efforts will be made from time to time to liberalize the liquor law. While some minor changes may become necessary, the Board is of the opinion that the majority of the people in this state is definitely opposed to liberalization of the fundamentals of the Act.

The general acceleration in business and the attendant financial prosperity, due to defense activities, have presented new problems. Additional funds made available through increased wages and incomes will tend to develop situations requiring the concerted efforts of all law enforcement agencies in order to maintain proper control. This fact has been recognized by local and Federal enforcement officers, and their full cooperation may be expected. No added difficulties are contemplated with regard to illicit liquor traffic while economic conditions remain at the present level. However, it is impossible to estimate at this time what effect increased costs and Federal taxes may have on the sale of legal liquor in the future. The Board is firm in its belief that

increase in liquor taxes and the resultant higher costs are not conducive to proper control. It may therefore become necessary for the Board to exercise its discretionary powers to meet contingencies which may develop as a result of rising costs of legal liquor.

The restrictive licensing policy has proven effective in improving conditions generally, and it has been deemed advisable to continue its application when considering the granting of new or additional licenses. More stringent measures have been adopted in dealing with violators, and plans are now under way to increase the inspection personnel so that more adequate supervision will be available for licensed premises. The manner of conducting hearings has been changed to follow more closely regular court procedure, which appears to have resulted in a desirable improvement.

Each year has provided further proof that the system under which the Board is operated is the most effective of any devised to govern the operations of comparable administrative agencies in the United States. While the matter of revenue must naturally be considered, the control factor unquestionably remains paramount in importance in building and maintaining an effective administration.

Revenues

Liquor sales made by the Board during the year under review were \$18,112,163.99, or approximately 22% higher than those of the previous year. The net revenue produced by the Board's merchandising operations was \$5,229,978.08, compared with a profit of \$4,289,454.45 for the 1940 fiscal year. Net revenues from the Board's licensing operations also showed an increase during the year, largely as a result of increases in beer and wine tax receipts and a reduction in expense. The licensing net revenue was \$1,360,168.63, against \$1,168,223.21 the previous year. The net profit of both operations for the year was \$6,590,146.71. Not included in this figure are the 10% sales tax, amounting to \$1,818,507.01, and the 2% sales tax (changed to 3% on May 1), amounting to \$463,352.08. During the year the Board distributed \$6,500,000.00 out of profits, and paid over to the State Treasurer the \$2,281,859.07 tax collected on sales. Since the start of operations in February, 1934, the Board has distributed out of profits and tax collected \$40,786,227.05.

Consumption of Alcoholic Beverages

During the year under review the sales of spirituous liquor in gallons increased 12.75% over the previous year. The sales of wine through the Board's stores and agencies changed very slightly from the year before, but the sales of wine by wineries in the State of Washington through licensed outlets increased more than 50%, making the total consumption of wine nearly 30% greater than the year before. The increase in beer sales in the state was approximately 13%, or very close to the gain in spirituous liquor sales over the previous year. The Board is of the opinion that the increased consumption of alcoholic beverages was largely due to improved purchasing power and increase in population, and does not necessarily indicate a tendency toward intemperance.

Personnel

At the beginning of the 1941 fiscal year the Board's personnel consisted of 405 regular employees and 134 agents. During the year 120 employees and 17 agents resigned, and 5 regular employees were granted military leaves

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of absence; 116 regular employees and 15 agents were appointed, and one store employee was transferred to an agency. These changes resulted in a total personnel of 395 employees and 133 agents at the close of the fiscal year.

ADVERTISING

The Board has continued its policy of keeping advertising regulations at a minimum. The general restrictions in connection with liquor advertising set forth in the advertising guide released July 11, 1940, have been followed closely and have been interpreted from a conservative standpoint. Many of these restrictions were patterned in principle after the Federal liquor advertising regulations, while others were adopted to cover situations common to both Washington and Oregon. The latter appeared advisable in order to make more uniform the advertising regulations of the Oregon Liquor Commission and the Washington State Liquor Control Board.

All advertisers have adopted self-imposed restrictions, although none are subject to the jurisdiction of the Board. Such splendid cooperation has made it unnecessary for the Board to promulgate new advertising regulations and has contributed much toward the elimination of offensive or deceptive liquor advertising in the State of Washington.

LEGAL DIVISION

Litigation

The only legal actions, other than writs of garnishment against the Board or any of its employees, which were considered by the Board during the 1941 fiscal year, were as follows:

The case of *F. D. Swallow, plaintiff, v. Hogland Transfer Company, a corporation, J. R. Littlemore, Chester M. Palmer and J. C. Gregory, defendants*, the same being case No. 37188 in the Superior Court for Snohomish County, which was an action brought for damages due to an alleged wrongful search, was fully settled and dismissed December 14, 1940.

The action brought by *William Steuer, plaintiff, v. Robert Stewart, defendant*, known as case No. 17442 in the Superior Court for Thurston County, was dismissed December 2, 1940.

The case of *E. C. Slater, plaintiff, v. Robert Clark and Jane Doe Clark, husband and wife, et al.*, defendants, which was case No. 14180 in the Superior Court for Chelan County, was not a Board case and therefore was improperly included in last year's fiscal report. That case has now been dismissed.

Four actions naming the Washington State Tax Commission and the Washington State Liquor Control Board as defendants, were brought in the Superior Court for Thurston County during the past fiscal year; they were as follows:

Oscar Hansen, plaintiff, v. the above named defendants, cause No. 19445;

Frank Jackson, plaintiff, v. the above named defendants, cause No. 19446;

H. D. Severson, doing business as The Columbia Novelty Company, plaintiff, v. the above named defendants, cause No. 19449; and

Washington State Amusement Association, Inc., a corporation, plaintiff, v. the above named defendants, cause No. 19457.

Each of the foregoing actions involved the classification and operation of pinball and other coin-operated devices, and the Liquor Board was joined as party defendant for the purpose of enjoining the Board from interfering with or imposing a penalty for the operation of such machines upon licensed premises. The whole question of pinball classification has been determined and disposed of and the actions completely settled.